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**SUMMARY OF TELECONFERENCE MEETING #7
ENERGY SUPPLY TECHNICAL WORKING GROUP
February 22, 2006**

Attendance:

1. Workgroup members:

Stephen Ahearn – Arizona Residential Utility Consumer Office
Ken Clark, Arizona Dept of Commerce Energy Office
Roger Clark, Grand Canyon Trust
Cosimo de Masi – Tucson Electric Power
Kara Downey – Arizona Electric Power Cooperative
CV Mathai (for Ed Fox) – Pinnacle West/APS
Kate Widland (for Dick Hayslip) – Salt River Project

2. ADEQ: Kurt Maurer and Lynn Ott

3. Center for Climate Strategies (CCS): Ken Colburn and Eric Williams

4. Other Attendees: Jeff Yockey, TEP; Penny Allee Taylor and Brian O'Donnell, Southwest Gas

Background documents:

(all posted at <http://www.azclimatechange.us/template.cfm?FrontID=4673>)

1. Agenda
2. Summary of ES TWG Call #6
3. Powerpoint presentation for meeting
4. List of Priority Options for Analysis
5. Draft Policy Options
6. ES GHG Reduction Opportunities (policy matrix)

Discussion items and key issues:

1. Members approved the summary of Call #6 on December 1, 2005.

2. Ken Colburn of CCS explained that the purpose of the call was to present the full TWG with the draft policy options as developed in the volunteer subgroups since the CCAG affirmed at its December 12, 2005 meeting the list of options that the ES TWG had identified as High priority for analysis. Ken said that the TWG members on the call would be asked whether they agree in concept with the policy descriptions and policy design parameters being presented. That information, as well as any issues or pertinent gaps, will be presented to the CCAG at its March 17, 2006 meeting.
3. Ken Colburn and Eric Williams of CCS reviewed the policy design templates for Policy Options ES-1 through ES-8 on the consolidated list of straw proposals. Ken explained that lack of volunteer participation to date in the small groups had prevented completion of draft policy descriptions for ES-9 through ES-12.
4. Members agreed in concept to move the options as they were presented in draft on to the CCAG for discussion at the March 17, 2006 CCAG meeting. The exception was ES-6, *Carbon Intensity Targets* (see note below). Other discussion highlights included:
 - a. ES-2 – *Public Benefit Charge Fund*: Members agreed in concept but will review the APS proposal more closely for additional ideas as the TWG moves forward.
 - b. ES-3 – *Direct Renewable Energy Support*: Members discussed using the basic outline of the APS program as a starting point and using it to develop cost estimates for a statewide application.
 - c. ES-4 – *Cap and Trade Program*: After some discussion, members agreed in concept that an option be presented to the CCAG in the form of a primary recommendation for a national program, bracketed by concerns that the program be implemented economy-wide (rather than in just the power sector), and possibly recommending that some consideration be given to what if anything could be implemented on a regional level. The group expressed interest in examining more closely what impacts Arizona might experience on a state level if a national or regional approach were implemented.
 - d. ES-6 – *Carbon Intensity Target*: The small group that worked on this draft option had recommended that the TWG take this option off the table because it was arguably redundant with other policy options. TWG members felt, however, that it was premature to eliminate the option from further consideration, but did recognize a need to more fully develop it for the CCAG's benefit. SRP suggested using the National Commission on Energy Policy proposal for carbon intensity as a strawman for fleshing out what Arizona's GHG emission reduction benefits might be (on a state level). CCS will undertake and report back to the TWG regarding this approach.

Next steps and agreements:

1. CCS will incorporate edits as discussed on the call and recirculate the revised draft policy options to TWG members for review. Draft materials will need to be posted on the

CCAG website by March 8, 2006 to allow CCAG members time to review before the March 17, 2006 CCAG meeting.

2. CCS will email possible dates and times for the next TWG or sub-group calls, which will occur the last week of March or first week of April.
3. The March 17, 2006 CCAG meeting will be held at Salt River Project headquarters, 1521 N. Project Drive, Tempe from 9:30 a.m. to 4 p.m.